



QUARTERLY INVESTOR REPORT

# Horizon Residential Income Fund I, LLC

January 1, 2024 –  
March 31, 2024

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## QUARTERLY INVESTOR REPORT

# Introduction

In April 2023, Upright unveiled its latest investment offering: the Horizon Residential Income Fund I, LLC, referred to henceforth as Horizon or simply the “Fund.” Horizon was conceived to offer passive investors an additional income source while addressing the extreme shortage of residential real estate within the U.S., providing a unique opportunity for accredited investors to enter the Residential Transition Loans (RTL) asset class. Through the Fund, we are now able to offer accredited investors the enhanced benefits of maximum diversification, leverage, and distinctive tax advantages. The primary objectives of Horizon are to diversify portfolios and generate steady income streams for its members. Throughout the first year, Horizon’s Fund Managers and Investment Committee evaluated more than 375 properties across the eastern U.S. to identify optimal opportunities for portfolio growth.

Today, the Horizon team is delighted to present the Quarterly Investor Report for 24Q1. This report provides members with a comprehensive overview of Horizon’s investment strategy, the composition of its portfolio, financial performance, and an outlook for the end of the year.

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## COMPANY OVERVIEW

# About Upright

Established in 2014, Upright embarked on a mission to establish itself as the preeminent technological real estate investment platform, empowering both active and passive investors to create wealth and improve communities through real estate. The Upright team has since successfully originated more than \$3.1B in short-term residential mortgages throughout 36 states. Distinguished by a rigorous underwriting process that is continuously refined to adapt to changing economic and market conditions, Upright's portfolio has historically provided investors with a 9%–10% annual return.

Since its inception, Upright has successfully connected active real estate developers to capital from passive investors. Prior to the advent of Upright, developers often encountered formidable obstacles in accessing funding for short-term rehab & construction projects beyond the confines of conventional bank financing and private funding channels. Through Upright's Borrower Dependent Notes (BDNs), passive real estate investors have been able to purchase fractional ownership of the mortgages originated by Upright. While BDNs afford passive investors the latitude to scrutinize and evaluate individual underlying assets across diverse markets, the onus of conducting this meticulous analysis one project at a time and redeploying repaid capital is not always optimal for these stakeholders. Seeking to address these drawbacks, Upright introduced the Horizon Residential Income Fund, thereby granting investors access to a diversified portfolio with markedly less effort. With a wealth of industry acumen, the Horizon team ensures investors can rest assured in the knowledge that their capital is being deployed into assets facilitated, underwritten, and serviced by the Upright team.

## Lending in 36 states



## HIGH-LEVEL DETAILS

# About Horizon

### **What is the Horizon Residential Income Fund I, LLC?**

The Horizon Residential Income Fund I, LLC (Horizon) is an investment vehicle specializing in short-term, first-lien mortgage loans against residential properties throughout the eastern U.S., underwritten and originated exclusively by Upright. Horizon is meticulously crafted to furnish its members with a trifecta of advantages: an ongoing stream of current income at a fair risk-adjusted return amplified through leverage, a diversified portfolio, and the substantial tax advantages made available through its sub-REIT structure. By embracing an investment opportunity in Horizon, individuals are poised to gain passive exposure to residential real estate assets dispersed across diverse geographical landscapes and markets. In doing so, Horizon contributes to alleviating the housing scarcity prevalent in the United States while also uplifting local communities.

### **Horizon Residential Income Fund I Investment Strategy**

Through the purchase of short-term residential bridge mortgages, Horizon is pursuing an 8% preferred return per annum, with a target return between 10%–13%. The Fund is subject to a 1% management fee of Horizon's monthly net asset value. Any earnings surpassing the 8% preferred return threshold will result in a 20% interest carry for the manager, with the remaining 80% directed back to the Horizon membership. While these management fees ensure incentives remain aligned, it is important to note that a waiver or reduction of accrued management fees and carry can be considered quarterly.

While committed to maximizing returns, the Horizon team will prioritize adherence to stringent investment directives designed to manage and alleviate portfolio risk. The composition of Horizon's portfolio will consist of a blended balance of first-lien rehab, new construction, and land mortgages that can vary between residential single-family and multi-family assets. The mortgages purchased will be predominantly located in the eastern United States, with a pronounced emphasis on key metropolitan areas within the Midwest, the Carolinas, the Southeast (Alabama, Florida, Georgia), and Texas. Horizon's leadership has identified a need for an increased and improved housing supply to keep up with demand within these markets, mainly due to total

household growth outpacing new housing starts, an aging housing stock, economic expansion, and population growth.

Horizon will also target mortgages structured with a Dutch interest component, as opposed to Non-Dutch. Dutch interest loans enable Horizon to accrue interest on the gross loan amount from the outset, regardless of whether the total principal balance has been fully disbursed to the developer.

In pursuit of heightened returns and diversified portfolio holdings, Horizon will employ conventional leveraged financing. This approach grants Horizon the capacity to secure purchasing power of up to four times the cumulative equity amassed. The mortgages purchased through equity investments will subsequently serve as collateral, against which Horizon can secure supplementary debt from its financing partner(s). This is vital to Horizon's overall performance as it will allow for more loans to be purchased, increasing the overall principal balance that is actively earning interest, thereby elevating Horizon's overall returns and increasing portfolio diversification.

## ROI OVERVIEW

# Financial Performance

Since its inception, Horizon's objective has been twofold: to introduce a novel product that amplifies portfolio diversification for its members and generates a new avenue for wealth via quarterly income from an alternative asset class. For Horizon's members, the Fund aspired to attain an annualized preferred return of 8%, while targeting annualized returns ranging between 10%–13%.

Comparing 23Q4 to 24Q1, Horizon grew its total quarterly income from \$798K to \$1.11MM, an increase of ~39%. A large portion of the increase in income can be attributed to the increase in interest-accruing principal balance on Non-Dutch loans originally purchased throughout 2023. As these loans progressed through construction in 24Q1, Horizon disbursed additional capital to developers, accounting for a \$6.65MM increase in the total principal accruing balance for the Fund. The increase in the accruing balance for Non-Dutch loans will also continue to increase in future quarters as these projects progress through construction and additional capital from the Fund is committed to developers. In addition to the increase in interest-accruing principal balance, Horizon was able to gain an increase in its weighted average pass-through rate. From the end of 23Q4 to the end of 24Q1, the weighted average pass-through rate increased from 11.00% to 11.46%. While this may be looked at as only a slight increase, this had an immediate impact on the interest earned on newly purchased loans throughout the quarter and this higher rate will continue to help amplify interest income in future quarters as these loans progress through construction and increase their interest-accruing principal balance. Also related to interest income for the quarter, it is important to note that the Fund made the decision to book a monthly reserve to income for loans that moved into the 91+ DQ section. While this did slightly decrease the total interest income that could have been earned for the quarter, the Fund managers believed it was important to book the reserve at the 91+ day mark to protect Fund members from items that may become unrecoverable in future months.

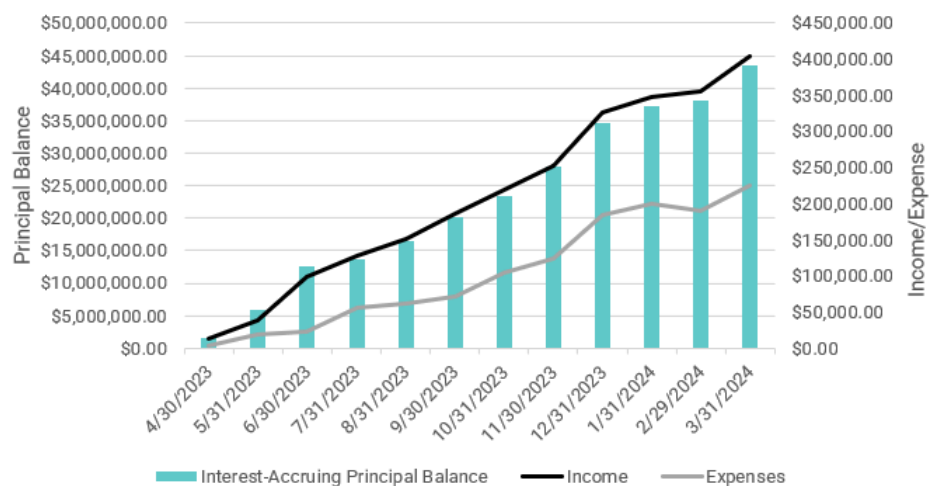
Similar to 23Q4, Horizon was also able to achieve an increase in total revenue due to a slight increase in ancillary fees collected throughout 24Q1. In 24Q1, the Fund earned \$8,261 in Marginal Penalty Interest, \$1,850 in Late Fees, and \$6,984 in Term Extension Fees. We expect to see a marked increase in these revenue sources as the Fund's portfolio continues to mature.



The Fund's total expenses grew from \$376K at the end of 24Q1 to \$571K by 24Q1's end. The largest monthly expense continues to be interest owed on leveraged capital drawn from the Fund's partnering credit facility. In 24Q1, the Fund paid \$487K in Interest expense, which accounted for 85% of total expenses. While this will continue to be the Fund's largest expense moving forward, having the ability to draw additional leveraged funds is a vital tool to ensure an overall increase in returns and diversification. With our recent commitment to increasing the Fund's leveraged capital, the Fund Managers were also able to successfully negotiate a reduction in financing costs with our senior financing partner. As a result, our financing costs were reduced by 50 basis points in March 2024, which allowed the Fund to save ~\$10K in total interest expense in March. We also expect savings to increase in 24Q2 as the new financing cost will be effective for the entire quarter.

The table below presents a comparison of the Fund's interest-accruing principal balance, interest income, and total expenses. It is evident from the data that there is a notable upward trend in interest income corresponding to the growth of the Fund's interest-accruing principal. Conversely, the Fund's total expenses have increased due to rising total interest expense on leveraged capital, the inclusion of federal and state tax preparation costs, and the slight increase in loan servicing and professional fees due to an increased count of active loans. Despite these increased expenses, the Fund managed to achieve an annualized return exceeding 10% for the third straight quarter.

### Horizon Interest Accruing Balance vs. Interest Income & Expense



The Fund Manager also retained its 1% management fee for the quarter. The management fee is calculated at a fixed annualized 1% of the Fund's net asset value, and the total management fee retained for 24Q1 was \$43K.

After all expenses and management fees, net income for 24Q1 totaled \$491K. Needing to earn \$344K in quarterly income to reach an 8% preferred return, the Fund was able to exceed this by approximately \$147K. As stated, if a quarterly preferred return of 8% is met, the Fund Manager then has the discretion to retain an interest carry fee equal to 20% of any additional income above the preferred return. The Fund Manager decided to retain the full 20% interest carry fee, which totaled \$30K for the quarter.

The final income available for distribution to investors in 24Q1 totaled \$462K. Please find full details surrounding Horizon's final net income and quarterly returns below.

## 1. Horizon 24Q1 Financial Performance

Horizon Residential Income Fund I REIT				
Profit & Loss				
For Period Ended March 31st, 2024				
	1/31/2024	2/29/2024	3/31/2024	24Q1
<b>Ordinary Income/Expense</b>				
Income				
Interest Income - Mortgages	339,585	347,950	396,764	1,084,299
Penalty Interest	1,106	4,655	2,500	8,261
Late Fees	408	954	488	1,850
Extension Fees	4,549	-	2,435	6,984
Other				
Insured Cash Sweep	1,677	2,516	1,298	5,491
<b>Total Interest Income</b>	<b>347,326</b>	<b>356,075</b>	<b>403,485</b>	<b>1,106,886</b>
Interest Expense	160,472	148,448	178,299	487,218
<b>Net Interest Income</b>	<b>186,854</b>	<b>207,628</b>	<b>225,186</b>	<b>619,668</b>
<b>Operating Expense</b>				
Professional Fees				
Tax Prep	3,583	3,583	3,583	10,750
Fund Admin Fees	12,083	12,083	12,083	36,250
Reit Funding - Fees	775	775	775	2,325
Other Professional Fees	2,567	2,466	3,282	8,316
<b>Total Professional Fees</b>	<b>19,009</b>	<b>18,908</b>	<b>19,724</b>	<b>57,641</b>
Loan Servicing	935	595	2,435	3,965
Loan Fees	6,617	7,344	8,736	22,697
<b>Total Operating Expenses</b>	<b>26,561</b>	<b>26,847</b>	<b>30,895</b>	<b>84,303</b>
Management Fee	13,424	14,279	15,689	43,393
<b>Net Income</b>	<b>146,869</b>	<b>166,501</b>	<b>178,602</b>	<b>491,972</b>
<b>Total Income Available for Distribution</b>	<b>146,869</b>	<b>166,501</b>	<b>178,602</b>	<b>491,972</b>
Preferred Return to Investors (8%)	107,393	113,253	123,427	344,073
<b>Income Available Above Preferred Return</b>	<b>39,476</b>	<b>53,248</b>	<b>55,175</b>	<b>147,899</b>
Carried Interest Fee to Fund Manager	7,895	10,650	11,035	29,580
<b>Additional Income for Distribution to Investors</b>	<b>31,580</b>	<b>42,598</b>	<b>44,140</b>	<b>118,319</b>
<b>Total Income Distributed to Investors</b>	<b>138,974</b>	<b>155,852</b>	<b>167,567</b>	<b>462,392</b>

## 2. Horizon 24Q1 Monthly & Quarterly Returns

Horizon Residential Income Fund I REIT	1/31/2024	2/29/2024	3/31/2024	24Q1
Period Return	0.91%	0.97%	0.95%	2.69%
April 1st - January 1st Admittance: Quarterly Annualized Return				10.75%
February 1st Admittance: Quarterly Annualized Return				10.86%
March 1st Admittance: Quarterly Annualized Return				10.71%

\*Please note that the above results are Horizon's ACTUAL figures used to calculate each member's monthly and quarterly returns.



## METRICS AND DEEP DIVE INTO OUR PROCESS

# Portfolio Composition & Risk Management

When looking at portfolio composition and risk management for Horizon, the main portfolio metrics the Horizon team considers are:

### 1. Geographic Location

- State and MSA (by gross loan and outstanding principal)

### 2. Weighted Average Leverage Metrics

- Loan to As-Is Value (LTAIV)
- Loan to Cost (LTC)
- Loan to After Repair Value (LTARV)

### 3. Project Type

- Rehab
- New Construction
- No Rehab/No Construction

### 4. Individual Deal Exposure Relative to Total Book Size

### 5. Individual Developer Exposure Relative to Total Book Size

### 6. Developer Creditworthiness

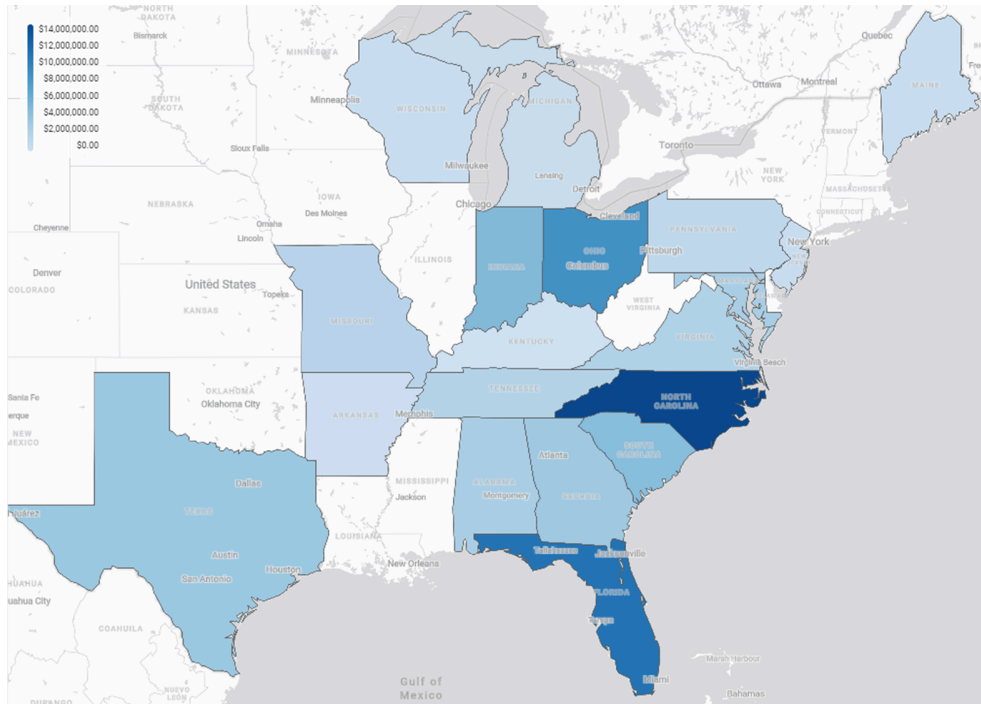
- Credit score & history
- Current liquidity
- Previous project experience
- Project viability, profitability, and exit strategy

We underwrite and monitor these different metrics to ensure we are maintaining a balanced portfolio that aligns with our overall investment strategies. To help mitigate risk to the Fund as new loans are purchased and previously held assets are repaid, the team is constantly evaluating changes to our weighted portfolio metrics to ensure that our portfolio composition remains aligned with set benchmarks.

First looking at the portfolio's geographic concentration, Horizon has a set max exposure to any one state at 20%. Additionally, Horizon looks to keep any given MSA to a concentration below 8%.

Throughout 2023, Horizon's Manager's and Investment Committee were bullish on markets in the Ohio Valley Region and Southeast, with its top loan concentrations being held in Florida, Ohio, and the Carolinas. Looking to maintain a similar geographic balance in 24Q1, the Fund continued to invest in these states, ending January with a top portfolio concentration in Florida (17.67%), followed by Ohio (16.02%), and South Carolina (12.15%). At the end of February, Horizon's top geographic location remained Florida (18.24%), with North Carolina shifting to the second largest allocation (17.49%), and Ohio dropping to the third largest (15.66%). In March, North Carolina shifted to the top state (21.70%), with Florida moving to second (16.61%), and Ohio remaining third (13.11%). While North Carolina's concentration did end the quarter above the 20% state allocation target, the Fund's Investment Committee completed a diligent review of the overall North Carolina portfolio before approving the additional loan purchases above the 20% threshold. The committee felt confident with the increase in the North Carolina allocation as they felt this is a state with several differing markets experiencing high population and economic growth. With an even balance of loans currently held between Charlotte, Raleigh-Durham, Greensboro, Wilmington, and other coastal markets, the committee approved a short-term increase slightly above 20%, but will look to bring the overall allocation in North Carolina on a total portfolio basis down as we progress into the second quarter. Below you will find visuals to display Horizon's full state concentration by gross loan amount at the end of 24Q1.

## Horizon State Exposure – % of Total Portfolio as of 03/31/2024



<i>North Carolina</i> . . . . .	21.70%	<i>South Carolina</i> . . . . .	7.05%	<i>Alabama</i> . . . . .	4.09%
<i>Florida</i> . . . . .	16.61%	<i>Texas</i> . . . . .	5.27%	<i>Virginia</i> . . . . .	3.51%
<i>Ohio</i> . . . . .	13.11%	<i>Georgia</i> . . . . .	5.25%	<i>Other</i> . . . . .	11.62%
<i>Indiana</i> . . . . .	7.66%	<i>Maryland</i> . . . . .	4.13%		

Horizon’s loan leverage metrics are also a vital piece to the portfolio’s overall health. These leverage ratios are what protect each loan against any potential downside risk. Below is a quick breakdown of the importance of each:

**1. Loan to As-Is Value (LTAIV):** LTAIV looks at Horizon’s day-one exposure to any given loan and ensures each developer has substantial equity in each property from day one. We have set a maximum LTAIV constraint per loan of 70%, and are targeting a portfolio below 65% LTAIV.

**2. Loan to Cost (LTC):** LTC looks at the total costs of the project (Purchase price + construction costs) relative to the total loan amount. Horizon wants to see that the total costs of the project exceed the total loan amount by at least 10% to ensure the developer has equity in the project and aligned interests. We have set a maximum LTC constraint for any loan within the portfolio at 90%, while targeting a weighted portfolio makeup below 85%.

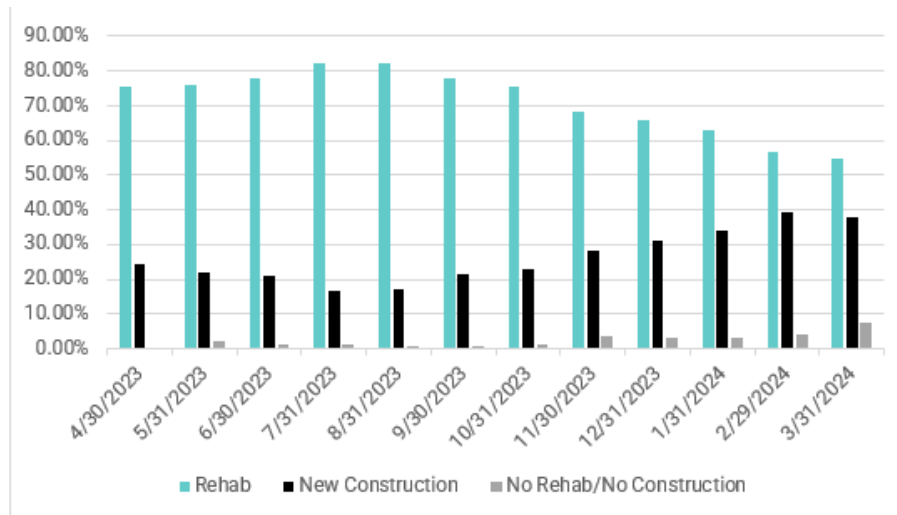
**3. Loan to After Repair Value (LTARV):** LTARV compares the total loan amount to the final expected value of the property after all renovations have been completed. If a developer sells a completed property below market value, or if there is any home price depreciation during the time to complete the project, Horizon wants to ensure there is enough margin at a lower price to still return full principal from sale or refinance proceeds. The Horizon team has set a 70% maximum LTARV constraint for each loan and for the entire portfolio.

In the below table, Horizon’s month-over-month changes in WAVG loan leverage metrics are presented. Throughout 24Q1, all three portfolio metrics remained at or below their target mark.

Weighted Average Loan Leverage Metrics	12/31/2023	1/31/2024	2/29/2024	3/31/2024
Loan to As-Is Value	63.31%	62.88%	62.46%	61.56%
Loan to Cost	82.40%	82.63%	82.38%	82.26%
Loan to After Repair Value	63.87%	63.75%	63.53%	63.87%

### Additional Horizon Portfolio Composition

#### Project Type – % of Total Book (03/31/2024)



### Largest 10 Loans – % of Total Book (03/31/2024)

State	Total Loan Amount	% of Total Book
TN	\$1,647,000.00	2.81%
NC	\$1,605,000.00	2.74%
MO	\$1,050,000.00	1.79%
SC	\$923,000.00	1.59%
TX	\$910,000.00	1.55%
VA	\$875,000.00	1.49%
NC	\$854,000.00	1.46%
NC	\$821,000.00	1.40%
FL	\$682,000.00	1.16%
FL	\$656,000.00	1.12%

### Top 10 Developers – % of Total Book (03/31/2024)

Developer	Sum of Total Loan Amount	% of Total Book
1	\$2,558,000.00	4.36%
2	\$2,236,000.00	3.81%
3	\$1,647,000.00	2.81%
4	\$1,396,000.00	2.38%
5	\$1,375,000.00	2.35%
6	\$1,200,000.00	2.05%
7	\$1,119,000.00	1.91%
8	\$1,099,000.00	1.87%
9	\$1,050,000.00	1.79%
10	\$1,024,000.00	1.75%

## HORIZON RESIDENTIAL INCOME FUND I, LLC

# Schedule of Investments

Active for three quarters of 2023, the Fund was able to successfully raise over \$15MM in total equity. Poised to continue its strong growth in the start of 2024, the Fund set out with a goal of raising \$3MM in additional equity throughout 24Q1. Horizon began 24Q1 by raising \$958K of new equity in January and had already worked to analyze a new population of loans to be purchased. The Fund's Manager's sought to purchase the first population of new loans within the first week of January to help minimize cash drag caused by unused equity. On January 3rd, 2024, Horizon purchased an additional five loans for \$1.81MM. The Horizon team was immediately able to pledge these new assets to its credit facility, which increased the Fund's overall buying power after January's equity was fully deployed. Throughout January, Horizon increased its leveraged capital by \$2.33MM, allowing for the purchase of an additional 12 loans, bringing January's total to 17 loans purchased for \$4.96MM.

In February 2024, the Fund received new equity investments totaling \$879K and took on additional leverage from its credit facility, bringing its total leveraged capital to \$20.99MM. With additional buying power from February's equity investments, along with an increase in leveraged capital, Horizon purchased 35 new loans for \$9.47MM. The Fund held 189 loans for \$51.68MM at the end of February. Similar to previous months, these mortgages were predominantly located in Florida, North Carolina, Ohio, and South Carolina, with ~77% of the portfolio being single-family assets, ~6% being two-family assets, and the remainder being three or more units.

For the final month of the quarter, Horizon received an additional \$1.53MM in equity investments, surpassing the quarter's equity goal of \$3MM and bringing the Fund's total equity raised to \$18.51MM. The Fund also increased its leveraged capital by \$3.77MM in March, bringing the total leveraged capital at the end of the first quarter to \$24.76MM. In March, Horizon purchased 25 additional mortgages totaling \$10.18MM. This brought the active portfolio at the end of 24Q1 to 200 active mortgages for a total loan amount of \$58.62MM.

In March, Horizon also purchased two of its largest loans to date. The first was a portfolio loan consisting of five fully completed single-family homes in the Charlotte, NC area for \$1.6MM. The second loan was a fix-and-flip project of a single-family home in Chesterfield, MO for \$1.05MM. Both Horizon's Fund Managers and Investment Committee felt that these loans presented the Fund with great opportunities to



diversify further in North Carolina, while also allowing the Fund to expand its footprint in a strong Missouri market.

A further breakdown of Horizon's 24Q1 investment schedule can be found below.

### Horizon Monthly Equity Admittance & Capital Deployment

	12/31/2023	1/31/2024	2/29/2024	3/31/2024
Fund Equity	\$15,151,000.00	\$16,109,000.00	\$16,988,000.00	\$18,514,000.00
Active Loans	168	172	189	200
Total Loan Amount	\$44,534,000.00	\$47,028,000.00	\$51,683,000.00	\$58,623,000.00
Funds Disbursed	\$33,401,011.10	\$35,856,905.68	\$37,027,356.95	\$42,587,695.67
Construction Holdback Remaining	\$11,132,988.90	\$11,171,094.32	\$14,655,643.05	\$16,035,304.33
Loans Repaid In Period	13	14	18	14
Total Loan Amount Repaid in Period	\$1,893,000.00	\$2,464,000.00	\$4,818,000.00	\$3,243,000.00



## HORIZON RESIDENTIAL INCOME FUND I, LLC

# Loan Performance & Delinquencies

Delinquency management is a primary focus at Upright, beginning with our thorough underwriting practices and bolstered by our Servicing and Asset Management teams employing industry-leading strategies for effective recovery. These encompass relationship-based borrower management, timely issuance of Notice-of-Default, and evaluation by our loss mitigation team after 61 days of delinquency. Understanding delinquency rates is vital due to the short-term nature of our asset class; while performing loans are typically repaid within 10 months on average, delinquent loans may necessitate a longer resolution period.

Throughout 2023, the Horizon Residential Income Fund was able to maintain a delinquency rate below 1.30% and finished the year strong with only three delinquent loans making up 1.12% of the Fund's active book. The three loans are held by two unique developers and all three are located in the Baltimore area. Additionally, one project is 100% complete, with the other two being 90% and 98% complete. Proactive efforts by our Servicing and Asset Management teams aimed to resolve these delinquencies before they exceeded 60 days with Upright's Servicing team was actively communicating with these developers throughout December and January to gain a better understanding of why payments had been missed and whether the developers had a current exit plan in place. After continuous efforts to bring these loans current, both developers missed their payments due on January 1st and the loans moved into the 61-90 DQ section. Additionally, the Fund had one new loan move into the 31-60 bucket in January, bringing the count of delinquent loans to four.

After the January 1st payments had been missed for the three 61-90 DQ loans, Upright's Servicing team was quick to file Notice of Defaults to intensify pressure on the developer to settle their overdue payments. The notices provided the developers with 45 days to acknowledge the delinquencies and bring the loans current, and if the loans were not cured in this timeframe, foreclosure notices would be prepped. Unfortunately, the developers failed to cure the loans within the 45-day window and Upright's Asset Management made the decision to move forward with filing foreclosure. In the beginning of March, the Fund engaged external legal counsel to assist with the foreclosures and we are currently working through the necessary legal

proceedings. Due to the current state of the properties, we are still very hopeful that the developers could exit the loans before reaching the end stages of the foreclosure process, and are also confident that the Fund will receive a full recovery on all three properties.

For the Fund’s remaining portfolio in February, one loan moved to the 61-90 DQ section and one additional loan reached the 31-60 section. Upright’s Servicing team was quick to pursue a Notice of Default on the 61-90 loan and the developer was able to remit payments to bring the loan current within the first week of February. The Fund then ended March with three new loans in the 31-60 bucket, with Upright’s Servicing team and Asset Management team continuing to proactively work with these developers in hopes of resolving the delinquencies before reaching the 61-90 DQ section.

Below is the chart displaying the Fund's delinquency rates month over month from December 2023 through March 2024. The chart presents both the total count and the percentage of the active book based on the Unpaid Principal Balance of delinquent loans. This transparency in reporting aligns with the Mortgage Bankers Association's (MBA) standard outlined in its National Delinquency Survey (NDS), which focuses on loan count. It's important to note that while the MBA considers delinquency for loans that are 60+ days late on payments, we provide the count of delinquent loans starting from 31+ days to maintain transparency.

Delinquency Bucket	12/31/2023		1/31/2024		2/29/2024		3/31/2024	
	Loan Count	% of Total Book	Loan Count	% of Total Book	Loan Count	% of Total Book	Loan Count	% of Total Book
Current	165	98.88%	168	98.44%	184	97.23%	194	96.05%
31-60	3	1.12%	1	0.52%	1	1.26%	3	2.96%
61-90	0	0.00%	3	1.04%	1	0.50%	0	0.00%
91+	0	0.00%	0	0.00%	3	1.01%	0	0.00%
Foreclosure	0	0.00%	0	0.00%	0	0.00%	3	0.99%
REO	0	0.00%	0	0.00%	0	0.00%	0	0.00%

## SUCCESS STORIES

# 37489 E Lakeland Dr Mechanicsville, MD 20659

- Demo, Landscaping & Deck
- Updated flooring
- New Interior and exterior doors & paint
- New Kitchen Appliances & Cabinetry
- Three Bathroom Renovation

**Project origination: 10/11/2023**

**Project finished: 3/22/2023**



Before purchasing any new mortgage into Horizon's portfolio, our team diligently conducts a thorough due diligence process. We evaluate the developer's experience, emphasizing their track record in completing and exiting similar projects. The assessment includes their creditworthiness, highlighted by a credit score of 815, and financial reserves to reduce potential default risks. We rely on independent appraisers to scrutinize leverage metrics and ensure the As-is (AIV) and After-Repair Values (ARV) are substantiated by comparable sales nearby.

In October 2023, Horizon's Fund Managers and Investment Committee considered a promising fix-and-flip opportunity in Mechanicsville, MD, a secluded but appreciating area an hour outside Washington, DC. Originated on October 11, 2023, and acquired by Horizon shortly after, on October 13, 2023, this investment facilitated the purchase and comprehensive rehabilitation of the property. The developer, a seasoned realtor with a portfolio that includes four successfully exited projects and ownership of two rental properties, secured the property for \$280,000, well below the appraised market value of \$325,000. The loan amount was \$277,000 at an interest rate of 11.49%, with \$238,000 disbursed initially and the remainder reserved for interest and construction costs. This structure created a significant equity cushion, as the loan-to-after-repair value ratio of 64.4% was strategically calculated to secure the investment.

The comprehensive refurbishment plan included painting, molding repair, new flooring, kitchen upgrades (including new appliances and cabinets), renovations to two full bathrooms and one half bath, new doors throughout, HVAC installation, water heater



replacement, deck construction, and extensive landscaping and trash removal. Only one construction draw was required, taken in November 2023, demonstrating the efficiency of the project management.

The property was swiftly listed for sale at the end of November 2023. Despite initial borrower estimates aiming for a sale price of \$480,000, the home ultimately sold for \$449,000, close to our internal valuation of \$430,000 and significantly higher than the appraised ARV of \$418,000. This sale, completed in March 2024, not only returned the borrowed funds in full but also delivered a healthy 11% return to our investors, illustrating our ability to mitigate risks while generating sustainable wealth and positively impacting communities.

As Horizon continues to grow, we remain committed to leveraging such successful investments to achieve superior returns and create meaningful community enhancements.

## HORIZON RESIDENTIAL INCOME FUND I, LLC

# Key Highlights & Achievements

Below are major highlights that took place during the first quarter of 2024:

- The Fund successfully raised an additional \$3.36MM of new equity from investors.
- The Fund increased its amount of leveraged capital by \$6.1MM.
- Throughout the quarter, Horizon purchased 77 new mortgages totaling \$24.49MM in gross loan amount.
- Horizon disbursed 220 construction draws to developers for home improvements, increasing the outstanding principal by \$6.65MM.
- Horizon had 45 additional repaid loans, amounting to \$10.35MM in principal repayments.
- The Fund has been able to maintain a delinquency rate below 4.00% of the total active book and will enter 24Q2 with only six delinquent loans.



## HORIZON RESIDENTIAL INCOME FUND I, LLC

# Horizon Outlook

Looking forward to Q2 2024, Horizon Fund will continue its strategic investment in short-term residential RTL mortgages, steadfast in its commitment to align with rigorous risk mitigation benchmarks. The fund's geographic focus remains on the Ohio Valley, the Carolinas, and the Southeast, with special attention to managing state concentration, particularly in North Carolina and Florida. An ongoing emphasis will be placed on new construction projects, which are deemed lower risk and offer favorable returns; the fund aims to keep its allocation to these assets where it ended 24Q1, as we raised exposure from 31% to 38% throughout 24Q1.

During this next quarter, Horizon anticipates benefiting from cheaper senior financing across the entire quarter (contrary to just the final month of Q1 2024), with a 50 basis points reduction in financing costs, decreasing interest expenses, and enhancing returns. This comes at a crucial time as the Fund also begins to incur startup expenses, which will continue over the next 24 months, part of the initial three-year capital commitment period.

Market conditions suggest that interest rates may have peaked, improving end-buyers' affordability when newly originated projects are completed and brought to market. However, some challenges such as progressing foreclosures have increased costs, though they also present opportunities for recovering default interest. The fund's weighted average pass-through rate has slightly increased from 11.40% at the end of Q4 2023 to 11.46% in 24Q1, with expectations for this WAVG rate to remain consistent. The loan-to-after-repair value (LTARV) also remains steady at 64%, while the loan-to-as-is value (LTAIV) decreased from 63% to 61%, indicating a conservative valuation approach. With the current portfolio mix at desirable levels, we anticipate these leverage metrics to be in line throughout the next quarter.

Moreover, the average borrower credit score has improved from 726 to 737 from 23Q4 to 24Q1, reflecting a higher quality of developer creditworthiness. The fund has successfully diversified geographically, reducing exposure in Florida from 18% to 16% and increasing in North Carolina from 10% to 21%, partially due to the portfolio's second largest loan purchased in February that has already seen partial repayment. We continue to strive towards a 20% max exposure by state and are in position to quickly achieve and sustain this through Q2.



24Q1 marks the third consecutive quarter of returns above 10%, with a slight upward trend expected. With over \$22 million in equity, allowing for fixed expenses to be spread across a wider base, paired with an increase in cheaper leverage, Horizon is poised to amplify its returns, reinforcing its robust position in the market and continuing to attract investor confidence.

# Horizon Residential Income Fund I, LLC

Thank you for your continued trust and support in Horizon Residential Income Fund I, LLC. We welcome all questions & suggestions and look forward to a successful and rewarding journey together.

Sincerely,



Matthew Rodak  
Chief Executive Officer

## **Contact Information:**

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